

Message Text

LIMITED OFFICIAL USE

PAGE 01 JOHANN 02326 291446Z
ACTION XMB-04

INFO OCT-01 AF-10 ISO-00 EB-08 COME-00 TRSE-00 SSO-00
OPIC-03 L-03 AID-05 /034 W
-----026579 291455Z /43
O 291200Z SEP 78
FM AMCONSUL JOHANNESBURG
TO SECSTATE WASHDC NIACT IMMEDIATE 8224
INFO AMEMBASSY PRETORIA IMMEDIATE

LIMITED OFFICIAL USE JOHANNESBURG 2326

PASS EXIM VP WILLIAMS, INSURANCE DIV

EO 11652: N/A
TAGS: EFIN, ETRD, SF
SUBJECT: EXPORT-IMPORT BANK: MESSINA/PREMIER PROBLEM

REF: JOHANNESBURG 2322

SUMMARY: MESSINA SPOKESMAN SAYS THAT BECAUSE OF POOR MANAGEMENT
PREMIER METALS IS UNABLE TO MEET ITS COMMITMENTS TO BANKS AND
SUPPLIERS. MAJOR CREDITORS ARE SAID TO HAVE AGREED TO A ONE-
YEAR MORATORIUM WHILE OWNERS INJECT NEW CAPITAL AND REORGANIZE
PREMIER. DEADLINE IS SEPTEMBER 30 AND AGREEMENT NOT YET
REACHED WITH ALLIED BANK, NEW YORK, WHICH HAS FCIA COVER.
END SUMMARY.

1. IN WAKE OF TELECON, COMOFF CONTACTED BARCLAYS BANK ,
WHICH DECLINED DISCUSS MATTER, NEW PREMIER MANAGING DIRECTOR
SHAW, WHO DIRECTED US TO MESSINA FINANCIAL SECRETARY THOMSON,
TEL. 21-6528, WHO GLADLY FILLED US IN WITH MASS OF DETAIL.
HE SAID ANOTHER KEY CONTACT IS CHRIS BALL, TEL. 725-5300,
FORMER BARCLAYS OFFICIAL WHO COORDINATED SOUTH AFRICAN BANKING
RESPONSE TO PROBLEM AND IS STILL BANKERS' SPOKESMAN ALTHOUGH
HE MOVED THIS WEEK TO WESTERN BANK. ALL THAT FOLLOWS IS FROM
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 JOHANN 02326 291446Z

THOMSON AND IS UNDIGESTED.

2. PREMIER'S MAIN PROBLEM WAS POOR MANAGEMENT, AGGRAVATED BY
PAST RAPID EXPANSION AND SOFT MARKET OF PAST FEW YEARS.
PREMIER REACHED POSITION RECENTLY OF BEING UNABLE MEET
COMMITMENTS TO SOUTH AFRICAN AND EUROMARKET BANKS AND TO
SUPPLIERS. THOMSON UNABLE TO GIVE TOTAL COMMITMENT BECAUSE IT

CONSISTS OF BOTH LOANS AND FACILITIES.

3. ON SEPTEMBER 15 MESSINA, WHICH OWNS 83 PERCENT OF PREMIER, AND CLARK EQUIPMENT CO., MICHIGAN, WHICH OWNS 17 PERCENT, PROPOSED TO CREDITORS, WHO ARE NUMEROUS, A ONE-YEAR MORATORIUM DURING WHICH MESSINA AND CLARK WOULD INJECT OVER R6 MILLION (R1 EQUALS DOLS 1.15) INTO PREMIER AND BRING IN NEW MANAGEMENT AND ADVISORS. IN RETURN, MAJOR CREDITORS SUCH AS BARCLAYS AND OTHER BANKS, EUCLID, EWING-MCDONALD (ANGLO AMERICAN SUBSIDIARY) WOULD FOREGO CAPITAL REPAYMENTS BUT CONTINUE TO RECEIVE INTEREST. SOME SMALL SWISS BANKS OWED ABOUT R1 MILLION TOTAL DROVE HARDER BARGAIN, OBTAINING 25 PERCENT REPAYMENT BUT ROLLING OVER REMAINDER. SMALLEST CREDITORS, MOSTLY LOCAL, WILL BE PAID ON TIME. VARIETY OF RELIEF AGREED; EUCLID WILL BUY BACK EQUIPMENT BUT LEAVE IT HERE, OTHER SUPPLIERS TAKING SIMILAR APPROACH.

4. SOUTH AFRICAN BANKS, COORDINATED BY BARCLAYS MERCHANT HERE, AND MAJOR SUPPLIERS HAVE ALL AGREED TO ONE-YEAR MORATORIUM AS ABOVE, ACCORDING TO THOMSON, BUT PERIPHERAL CREDITORS STILL BEING CONTACTED. AMONG THEM IS ALLIED BANK, NEW YORK, WHICH HAS DOLS 450,000 FCIA COVER. CLARK EQUIPMENT WAS TO CONTACT ALLIED AND FCIA FOR A ONE-YEAR EXTENSION. DEADLINE FOR AGREEMENT ON MORATORIUM IS TOMORROW.

5. COMMENT: ABOVE IS OUTLINE OF SITUATION FROM THOMSON.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JOHANN 02326 291446Z

WE HOPE IT HELPS, AT LEAST TO FORM SPECIFIC QUESTIONS. ASSUMING THOMSON TRUTHFUL, APPEARS THAT CREDITORS COOPERATING. REGARDING OVERALL ENVIRONMENT, ECONOMY GRADUALLY RECOVERING FROM THREE-YEAR SLUMP WHICH AFFECTED CONSTRUCTION PARTICULARLY. OUTLOOK IS FOR MODEST GROWTH THROUGH 1979. POLITICAL SITUATION ACTIVE AND BEARS WATCHING. WITHOUT KNOWN MORE ABOUT YOUR SITUATION AND OPTIONS WE UNABLE TO MAKE RECOMMENDATION BUT THINK YOU MIGHT FIND DIRECT CONTACT WITH ABOVE TWO KEY FIGURES USEFUL FOR DETAILS. BOTH MESSINA AND PREMIER ARE LARGE, HIGHLY-REGARDED COMPANIES.
JOHNSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, DEBT REPAYMENTS, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JOHANN02326
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780398-0197
Format: TEL
From: JOHANNESBURG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978097/aaaaafew.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d682b350-c288-dd11-92da-001cc4696bcc
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 JOHANNESBURG 2322
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1443641
Secure: OPEN
Status: NATIVE
Subject: EXPORT-IMPORT BANK: MESSINA/PREMIER PROBLEM
TAGS: EFIN, ETRD, SF, XMB, PRIMIER METALS
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d682b350-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014